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Malaysian businesses in China

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EACH time the Prime Minister visits China, one can expect a stack of memoranda of understanding (MoUs) between Malaysian and Chinese companies.

Set up in grand and opulent hotels or trade centres, Malaysian businessmen would duly sign such undertakings with their Chinese counterparts, very often with Datuk Seri Dr Mahathir Mohamad at the forefront of ceremonies. The events would also receive prominent coverage in the business sections of Malaysian newspapers.

But not all MoUs have progressed from understanding to action. Instead, some companies, after signing them, have abandoned all investment plans in China.

Why the hype over MoUs then? And why are there no studies done to follow up on the progress of MoUs?

Sino-Malaysian Chambers of Commerce and Economy's president Tan Sri Ngan Ching Wen says: 'Sometimes Malaysian companies have ulterior motives in announcing plans to invest in China.'

With MoUs usually comes a surge in share price at the Kuala Lumpur Stock Exchange. A source says some investors have no intention at all to invest, but only want to have the opportunity to be photographed with the Prime Minister.

Is it common for MoUs to be signed but not followed up on?

It may be true to some extent, adds the source, especially if the business partnership does not work out, or when the Malaysian companies, after conducting feasibility studies, realise that their investments are less lucrative than expected. Some cite a sudden hike in investment costs as the reason for abandoning an MoU.

However, China's Commercial and Economic Counsellor to Malaysia Zhang Yingwen says: 'MoUs are not equal to a contract.' According to him, it can be quite normal for MoUs to be signed but later delayed or cancelled altogether.

However, there are cases where MoUs were signed at local and provincial levels in China but later cancelled for failing to meet conditions of the central government.

However, Zhang asserts: 'No MoUs have been cancelled by the central government of China. Instead, some foreign investors may have a lack of understanding of our rules and regulations. Perhaps that might cause some MoUs to be signed but not take off.'

Still, one cannot deny the fact that some Malaysian companies have made it big in China. Seven made the list of China's Top 500 Foreign-invested Enterprises (1999-2000). Sometimes, such operations have even surpassed the performance of companies back home.

The table below lists a handful of Malaysian companies that have made a significant leap into China. There may be many more companies but their operations may not be substantial or the investments may be through third parties. It is also difficult to trace each and every Malaysian company in China as investors are known to enter the country indirectly through Hong Kong, Taiwan or Singapore.